

Version 2 (1<sup>st</sup> June 2012)



# **Falkirk Council**

## **Contract & Supplier**

### **Management**

#### **Procedure**

## **Contents**

- 1 Introduction**
- 2 Purpose Of Contract & Supplier Management**
- 3 Aims Of This Document**
- 4 Priorities**
- 5 Contract And Supplier Management Process**
- 6 Contract Implementation**
  - 6.1 Catalogue Management**
  - 6.2 End-User Information Packs**
  - 6.3 Supplier / Buyer Events**
- 7 Determine Level of Contract & Supplier Management**
- 8 The Contract & Supplier Management Plan**
- 9 Contract & Supplier Performance Review Meetings**
- 10 Change Control**
- 11 Change Control Procedure**
- 12 Exit Strategy**

***APPENDIX A –***

**CONTRACT & SUPPLIER MANAGEMENT PROCESS MAP**

***APPENDIX B-***

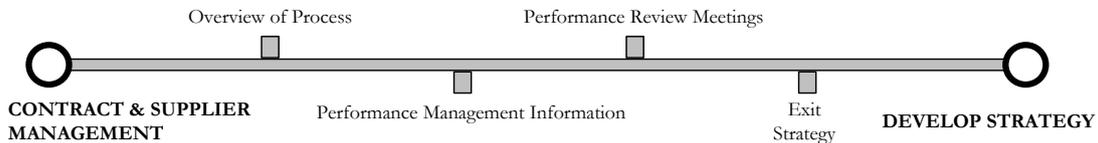
**EXAMPLE CONTRACT AND SUPPLIER MANAGEMENT PLAN**

***APPENDIX C–***

**CONTRACT VARIATION DOCUMENT**

## 1. Introduction

This procedure has been constructed in conjunction with, and compliments the Falkirk Council Procurement Strategy 2011-2014. Furthermore, it recognises the aims and values set out within the Scottish Procurement Directorate (SPD) Supplier Charter, and encompasses best practice set out in the SPD [Procurement Journeys](#). (see below).



The Contract & Supplier Management Procedure sets a foundation for the implementation of a consistent approach to contract and supplier management across all service areas and commodities, in order to drive value from new and existing contracts.

As well as implementing consistent cross-service processes for contract and supplier management, Falkirk Council aims to improve existing supplier relationships through increased effective engagement and at the same time maximise spend with local businesses and SMEs.

It is appreciated that some service areas will have existing, embedded, compliant and audited Contract & Supplier Management Procedures and this procedure is not designed to replace these. Any service based process will however reflect the same principles and priorities.

## 2. Purpose of Contract & Supplier Management

The function of Contract & Supplier Management is to:

- ensure a contract is successfully executed
- provide a formalised method of monitoring supplier performance against contract requirements
- ensure that there is clarity of the roles and responsibilities by all parties relating to contract and supplier management
- monitor overall compliance by all parties to the terms of the agreement and contract, refining and improving KPIs, SLAs and service delivery through honest, open communication between the supplier and the Council, delivering improvements to both parties
- improve and develop relationships with key supplier representatives based on mutual trust and understanding, open communications and a joint approach to managing delivery
- realise estimated and planned savings through continuous monitoring of spend
- identify potential additional savings and benefits through proactive contract and supplier management
- co-ordinate the supply chain
- provide a focus for development of initiatives / innovation
- deliver learning and knowledge transfer
- drive continual improvement

### **3. Aims of this Document**

Supporting the objectives set out in the Procurement Strategy 2011-2014, this procedure aims to provide a standard approach and guidance to Contract and Supplier management, defining clear ownership for operational day-to-day management throughout the lifecycle of a contract and relationship by the Central Procurement Unit's Procurement Officers and the Contract Managers responsible for Social Care, Works and Facilities contracts.

This procedure will achieve its aims by defining the procedure for developing and maintaining close relationships with business partners and key providers, and creating a consistent, standard Contract and Supplier management process, applicable to all commodities (see Appendix A – Process Map).

### **4. Priorities**

Priority areas to achieve contract and supplier management objectives include the:

- Implementation of a standardised agenda, minutes and action notes template for managing and documenting supplier meetings consistently across all commodity areas.
- Incorporation of a mechanism to review council performance and feedback within review meetings
- Introduction of management meetings with identified key suppliers for each category, with an aim of continuous improvement in the execution of contracts.
- Regular review of both contract performance and supplier performance through structured joint and service-inclusive meetings to improve output, savings and knowledge, and to reduce risk
- Encouragement of prime contractors to engage with local suppliers and SME's through the inclusion of Community Benefit / Sustainability clauses, and early engagement in commodity strategies
- Standardisation of the supplier management process, and implementation of rigorous controls to manage the supplier database and transactions within Procurement systems.
- Continual review of the contract and supplier management process to ensure it remains fit-for-purpose, remains consistent with Procurement Journeys 1, 2 and 3 and continues to deliver clear benefits.

### **5. Contract and Supplier Management Process**

This document sets out the procedure that is used to manage contracts and the supplier relationship post-supplier selection and contract award. Equally, it applies to the management of existing contracts.

The Contract and Supplier Management process begins with migration and mobilisation, and continues through a post-contract award meeting with the successful supplier, which as a guideline, should be conducted within 1-3 weeks of the contract award. The purpose of this meeting is to discuss the contract implementation phase and agree roles, responsibilities, identify activities and agree SLA's, KPI's, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.

## 6. Contract Implementation

Contract Implementation consists of three distinct phases:

- **Mobilisation** - the process of moving from contract award to 'go-live' i.e. the point when a user can actually buy from the contract
- **Migration** - facilitating the movement of an organisation to a new contract post 'go-live'
- **Communication** – ensuring all stakeholders are aware of the contract and what it involves

Actions that should be considered to migrate and mobilise a contract include:

### 6.1 Catalogue Management

Catalogues are more usually related to contracts for goods. Strategic contracts, for example Social Care and Construction Projects are unlikely to involve catalogues. Standardised catalogue content for commodities that are easily validated should be produced and published in INTEGRA. Catalogue content may take the form of access direct to a supplier's online catalogue. It may also form a Printed Line Order Form (PLOF) provided to those services areas that don't yet have internet access.

The process of catalogue management can be very time-consuming, dependent on the size (number of line items) and number of catalogues involved. It will involve the receipt of initial catalogue data from suppliers, checking catalogue content, validation checks and testing, before making them available to end users through INTEGRA or manually issuing. It is therefore important that sufficient time is built in for Catalogue Management where required.

### 6.2 End-User Information Packs

An information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including:

- contract objectives, details of the goods and services available, prices, supplier contact details, ordering and invoice process, returns / complaints / escalation process, and contract and supplier management process.

Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract, e.g. cost savings, KPIs, SLAs, improvements in quality and service.

### 6.3 Supplier / Buyer Events

Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organising a Supplier / Buyer 'launch' event to give stakeholders who have yet to meet as part of the selection and award stage, the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs / buyers guides. Where a large number of users are affected, it may be useful to also publish a news item via the Intranet.

## 7. Determine Level of Contract & Supplier Management

It is important when developing the Contract Strategy to determine the level of management required for the proposed contract once awarded, based on size, value and organisational risk, as this will influence and determine the frequency and content of supplier review meetings.

Guidelines from the Procurement Journey are given below, but each service, guided by the Central Procurement Unit, will need to consider the appropriate level of management required for individual contracts, by considering factors such as value and length of contract, business criticality and dependency, number of customers / end-users, public visibility, openness to complaints or challenges, risk, performance criteria and compliance with requirements of governing bodies e.g. Care Commission grades for Social Work contracts.

A tool to assist in determining the level of management is incorporated within the Contract and Supplier Management section of Procurement Journey 3.

- **Low level** - ensuring compliance to the contract by monitoring management information from the supplier, end-user feedback, managing delivery, and compliance of the contract.
- **Medium level** - managing the performance of the contract and the supplier through management information monitoring, end-user feedback and a minimum of one performance review meeting held per annum.
- **High level** - managing the performance of the contract and the supplier using a combination of management information monitoring, and quarterly (or other frequency determined) meetings.

## 8. The Contract & Supplier Management Plan

Once the contract implementation has been completed and the level of management determined, a Contract and Supplier Management Plan, see [Appendix B](#) for an example, should be constructed which outlines:

- Roles & responsibilities
- Agreed level of management (low/medium/high)
- Contract objectives
- Performance Management Framework, e.g. Use of balanced scorecard, KPIs & SLAs
- Mobilisation Plan
- Migration Plan
- Contract Compliance
- Escalation process (within supplier organisation and the council)
- Review meeting schedule
- Risks & issues

*This will need to be agreed with your supplier. All of these, in particular, the routes for escalation and the review meeting schedule should have been built into the initial Contract(s) Strategy and tender, with reference to the fact that a Contract and Supplier Management plan will be developed.*

## **9. Contract & Supplier Performance Review Meetings**

Performance Review Meetings are an important part of the Contract & Supplier Management process and provide the Central Procurement Unit, Service Users and the Supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

The Scottish Procurement Directorate (SPD) suggests that, for contracts / suppliers where a medium level of management is being applied, there should be at least one performance review meeting per year. Meetings for Contracts / Suppliers where a high level of management is being applied should be held at least quarterly.

Standard templates for meeting agenda and minutes / action notes are available to assist in the management of performance review meetings.

These tools can be used by both Corporate Procurement Unit and the supplier in advance of meetings to provide a structure to the meeting, and in particular, used to gauge where performance is improving, remaining static or declining.

### **Meetings should focus on:**

- i. Review of Actions and Minutes from previous meeting(s)
- ii. Supplier Business Review, with updates on new products / product developments, customer-affecting issues (e.g. product issues, recalls), complaints, etc.
- iii. Council Business Review / Service Improvement Plan Update
- iv. KPI review – (to determine current level of performance (Improving / Degrading)
- v. Sustainability & Other Benefits Realisation
- vi. Review of risks and Issues
- vii. Issues for escalation
- viii. Financial Monitoring (Spend monitoring, P2P, Invoicing, financial stability).
- ix. Areas of Improvement (e.g. Innovation, new process)
- x. Change Control

These are suggested agenda topics for discussion however these will need to be adapted for specific types of contract and / or suppliers.

The initial performance review or inaugural or kick-off meeting should also include a 'Lessons Learned' session with the supplier on the tendering and contract implementation process, and cover areas such as roles and responsibilities, performance levels, invoicing arrangements, etc.

Meetings should recur as agreed until the contract approaches its completion, and documented (minutes, actions, change in performance) throughout, with actions followed up as agreed. Minutes of meetings and agreed actions should be communicated to all stakeholders following each meeting (supplier, Corporate Procurement Unit & service area management).

## 10. Change Control

Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a contract, especially lengthy and / or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service delivery
- Scope of work
- Performance
- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the contract continues to represent value for money

The primary aim in managing variations is to minimise their likelihood, however change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change control procedures should be included within the contract and discussed at the inaugural meeting.

The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

A single change control process should be applied to all contract changes. Flexibility does however need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of impact
- Prioritisation & authorisation
- Agreement with provider
- Control of implementation
- Documentation and communication of change
- Updates to terms & conditions where applicable

If a specific change, or cumulative changes significantly increase or decrease the scale or scope of the contract, the responsible Category Manager / contract owner must question the contract's ability to achieve best value and value for money overall.

Similarly, the Category Manager / contract owner must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the OJEU advertisement, or permitted extensions to contracts. When this is in doubt, the change should be referred to Legal Services for guidance.

The same level of diligence should be applied to contract variations as that applied to letting a contract.

## **11. Change Control Procedure**

The change control procedure should be used by the council and supplier to enable changes to the contract, to provide clarity and documentary evidence of the change, and agreed actions:

It is the intention of Falkirk Council (the Council) and the Contractor that the Services will be administered and delivered in an efficient manner and the Council and the Contractor may during the term of this Agreement suggest changes or modifications to the other to achieve this aim. Where any provision of this Agreement provides that the mechanism set out in this Schedule should apply, or where the Council or the Contractor proposes any change or modification of the design, specification, quality or quantity of the Services or the addition, omission or substitution of any work or the time or location at which the Services will be performed, the following provisions shall apply:

1. The party wishing to instigate any change or modification shall give written notice to the other party of the proposed change or modification, such notice to set out that party's proposals in reasonable detail. This notice shall be marked for the attention of the Service Manager at the Council or the Key Persons at the Contractor as appropriate.
2. The party on whom any notice under paragraph 1 is served shall, within the Period for Reply of receipt of that notice, give notice to the other party either accepting or rejecting the proposal.
3. If notice is sent under paragraph 2 accepting the proposal, the parties will as soon as reasonably practicable complete and sign a form as set out in Appendix C. Any agreed change or modification will take effect on the date of signature of that form by the Service Manager and a Key Person for each of the parties or on such other date as is set out in the relevant form.
4. If notice is sent under paragraph 2 rejecting the proposal the Service Manager and Key Persons for each of the parties shall negotiate in good faith in order to establish whether any alternative change or modification can be agreed. If agreement is reached then the parties shall document such agreement as set out in paragraph 3. Either party may terminate any negotiations if they conclude that agreement will not be reached on the proposed change or modification.
5. Any verbal instruction given to the Contractor shall have no validity unless confirmed by written instruction from the Council, or confirmed in writing by the Contractor to the Council within seven Business Days of the verbal instruction and such confirmation is not disputed in writing by the Council within the Period for Reply of its receipt.
6. Changes agreed in accordance with the provisions of this Schedule shall, where this Agreement provides for the same, be valued in accordance with the provisions of this Agreement. Where this Agreement does not provide a mechanism for agreeing the valuation of any change, the value of such change will be agreed between the parties and recorded in the form set out in Appendix C.

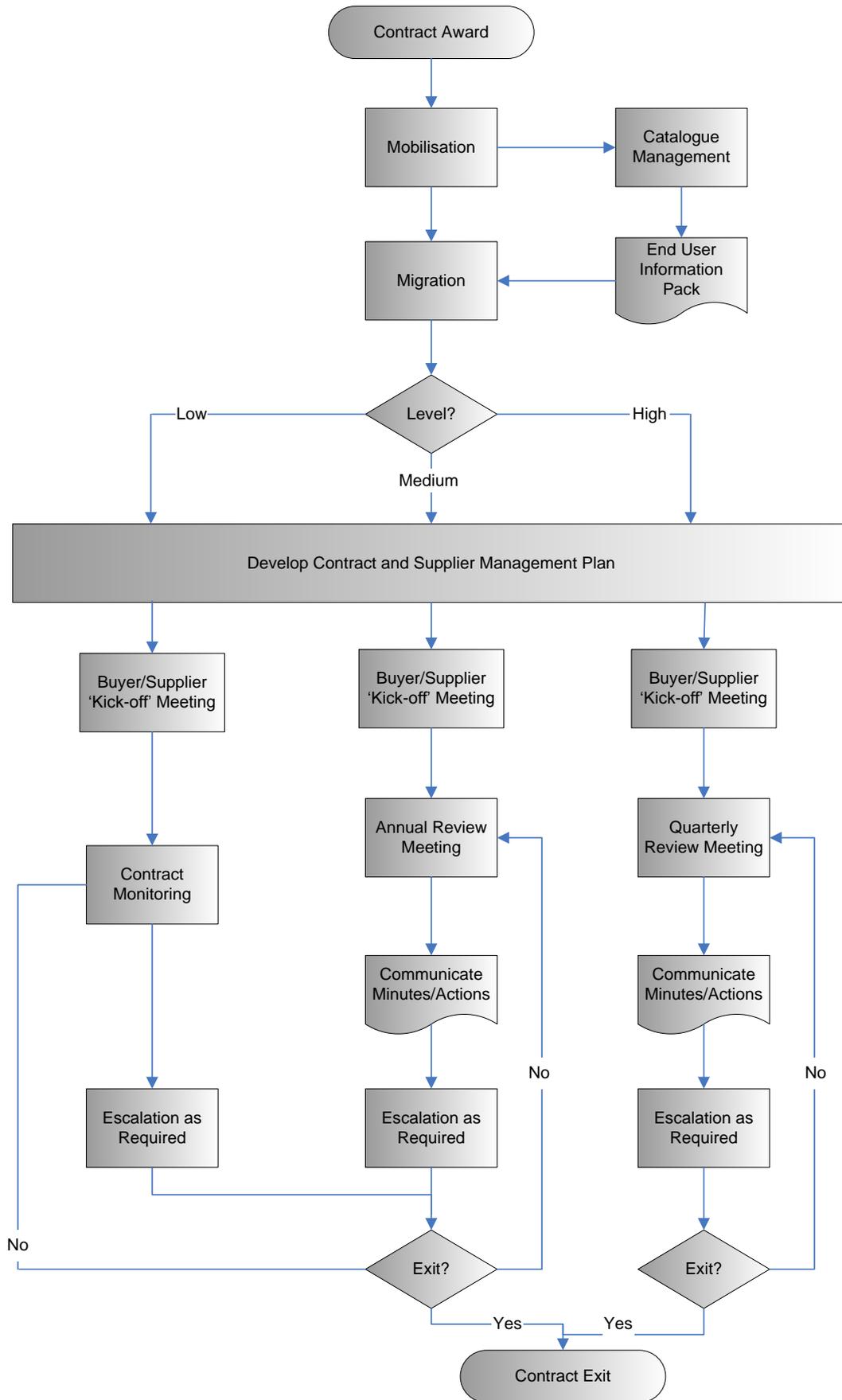
## **12. Exit Strategy**

As a contract progresses, the Central Procurement Unit or the Contract Managers responsible for Social Care or Works contracts will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

The Exit Strategy should involve a full review of the contract and supplier's performance. This should include a 'lessons learned' review which incorporates feedback from end-users and the supplier.

The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

# Appendix A – Contract & Supplier Management Process Map



## Appendix B - Example Contract and Supplier Management Plan

### 1.1 Owners / Key Representatives

Nominated contact	Role
	CPU Purchasing Adviser
	Supplier Contract Manager
	UIG Members(s)
	Service Contract Manager

### 1.2 Level of Management required

Use the [Contract and Supplier Management Assessment tool](#) to determine whether the level of management required for a specific contract and supplier should be **HIGH / MEDIUM /LOW**. The assessment considers the potential impact on business based on criticality, dependency and the number of expected customers.

### 1.3 Contract Objectives


### 1.4 Performance Management Framework


### 1.5 Mobilisation Plan


### 1.6. Migration Plan


### 1.7 Contract Compliance


### 1.8 Escalation & Change Control Process

Supplier	Contracting Authority (Customer)

### 1.9 Exit Plan

--

### 1.10 Review Meetings

Proposed Dates	Actual Dates

### 1.11 Issues / Risks

Issue Ref	Issue	Responsibility	Resolution	Date
Risk Ref	Risk	Responsibility	Mitigating Action	Date

**Appendix C - Contract Variation Document**

<b>CHANGE REQUEST FORM</b>		
<b>CR No.:</b>	<b>Contractor:</b>	
<b>Originator:</b>	<b>Date Received:</b>	
<b>Item(s) Affected:</b>	<b>Issue Affected:</b>	
<b>Description of Change:</b>		
<b>Reason for Change:</b>		
<b>Effect of not implementing Change:</b>		
<b>Analysis Results:</b>		
<b>Resource:</b>	<b>Time:</b>	<b>Value change/price modification:</b>
<b>Agreed Action: Accept / Reject</b>		<b>Implementation Timescale:</b>
<b>Authorised By:</b>		
<b>Signed: .....</b> (for Falkirk Council) <b>Dated: .....</b> / ..... / .....		
..... (for Contractor) <b>Dated: .....</b> / ..... / .....		
<b>Reason for Rejection:</b>		